

Formwood Group (UK) Limited

**Directors' report and financial
statements**

Registered number 2046126

31 December 1999



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Directors' report

The directors present the annual report and the audited financial statements for the year ended 31 December 1999.

Parent undertaking

The company is a wholly owned subsidiary undertaking of Hillsgdown Holdings Limited.

Business review

The company has not traded during the year and no change is anticipated in 2000.

The results for the year are set out in the profit and loss account on page 5.

Directors and directors' interests

The directors who held office during the year were as follows:

MB Chambers	-	resigned 24 September 1999
RI Campbell	-	appointed 6 August 1999
AS Rosen	-	appointed 6 August 1999
PA Leach	-	appointed 6 August 1999 and resigned 29 December 1999

The directors had no interest in the shares of the company at the beginning or end of the financial year.

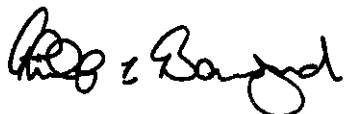
Political and charitable contributions

The company made no political or charitable contributions during the year or the previous year.

Auditors

Pursuant to a shareholders resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the board



PI Bamford
Secretary

Hillsgdown House
32 Hampstead High Street
London
NW3 1QD

S April 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

Report of the auditors to the members of Formwood Group (UK) Limited

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

*Chartered Accountants
Registered Auditor*

9 April

2001

Profit and loss account
for the year ended 31 December 1999

	<i>Note</i>	1999 £	1998 £
Turnover		-	-
Cost of sales		-	32,157
Gross profit		-	32,157
Administrative expenses		(39,285)	(1,145)
Amounts written off loans		112,013	(44,973)
Operating profit/(loss)		72,728	(13,961)
Interest receivable and similar income	4	2,262	5,887
Profit/(loss) on ordinary activities before taxation	2-3	74,990	(8,074)
Tax on profit/(loss) on ordinary activities	5	(8,136)	-
Profit/(loss) for the financial year		66,854	(8,074)
Accumulated losses brought forward		(5,179,252)	(5,171,178)
Accumulated losses carried forward		(5,112,398)	(5,179,252)

The results relate entirely to discontinued operations.

The company had no recognised gains or losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit/(loss) for the financial year above and its historical cost equivalent.

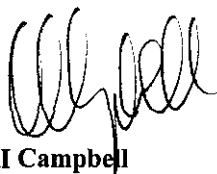
Balance sheet
at 31 December 1999

	Note	£	1999	£	£	1998	£
Current assets							
Debtors	6	-			106,772		
Cash at bank and in hand		-			49,862		
					<u>156,634</u>		
Creditors: amounts falling due within one year	7	(1,412,398)			(1,635,886)		
Net current liabilities			(1,412,398)			(1,479,252)	
Net liabilities			(1,412,398)			(1,479,252)	
Capital and reserves							
Called up share capital	8		3,700,000			3,700,000	
Profit and loss account			(5,112,398)			(5,179,252)	
Shareholders' funds - equity	9		(1,412,398)			(1,479,252)	

These financial statements were approved by the board of directors on
 on its behalf by:

S. April

2001 and were signed



RI Campbell
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

At 31 December 1999 the company had a deficit of shareholders' funds of £1,412,398. The immediate parent undertaking, Hillsdown Holdings Limited has confirmed that it will support the company for the foreseeable future and on the strength of this assurance, the financial statements have been prepared on a going concern basis.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities is stated after charging/(crediting)

	1999 £	1998 £
Auditors remuneration	1,150	3,000
Insurance proceeds	-	(20,358)
	<hr/>	<hr/>

Notes (continued)

3 Staff numbers and costs

The company had no employees during the year and the directors did not receive any remuneration.

4 Interest receivable and similar income

	1999 £	1998 £
Bank interest receivable	2,262	5,887

5 Taxation

No provision for corporation tax has been made in the financial statements as any liabilities or losses will be eliminated by losses which will be surrendered without payment.

6 Debtors

	1999 £	1998 £
Trade debtors	-	106,234
Other debtors	-	538
	-	106,772

7 Creditors: amounts falling due within one year

	1999 £	1998 £
Bank overdraft	71,201	-
Trade creditors	-	44,480
Amounts owed to parent undertaking – Hillsgdown Holdings Limited	-	504,700
Amounts owed to group undertakings:		
Hillsgdown International Limited	450,138	-
Formwood Group Limited	886,059	-
TB Oldeo Limited	-	658,969
Litetronics (UK) Limited	-	185,912
Formwood Limited	-	108,657
Accruals and deferred income	5,000	133,168
	1,412,398	1,635,886

Notes (continued)

8 Called up share capital

	1999 £	1998 £
<i>Authorised</i>		
Ordinary shares of £1 each	20,000,000	20,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	3,700,000	3,700,000
	<hr/>	<hr/>

9 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit/(loss) for the financial year	66,854	(8,074)
Opening shareholders' funds	(1,479,252)	(1,471,178)
	<hr/>	<hr/>
Closing shareholders' funds	(1,412,398)	(1,479,252)
	<hr/>	<hr/>

10 Ultimate parent undertaking

The ultimate parent company is HMTF Premier Limited which is registered in the Cayman Islands. The parent company of the largest group into which the financial statements of this company are consolidated is Hillsgdown Holdings Limited, which is incorporated in Great Britain and registered in England and Wales. Copies of the financial statements of Hillsgdown Holdings Limited can be obtained from the Company Secretary at Hillsgdown House, 32 Hampstead High Street, London NW3 1QD.

The company has taken advantage of an exemption under the terms of Financial Reporting Standard No. 8 from disclosing related party transactions (but not balances) with entities that are part of the Hillsgdown Holdings Limited group.

11 Cash flow statements

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Hillsgdown Holdings Limited and its cash flows are included within the consolidated cash flow statement of that company.

Notes *(continued)*

12 Contingent liability

The company was involved in litigation over non-repayment of loan capital of Australian \$200,000 and subsequent interest thereon following default. The company was counter-claiming for damages in respect of the unauthorised use of intellectual property.

This matter was settled during the year in the sum of Australian \$75,000, the payment being made by the parent company. It is not intended that this will be recharged to Formwood Group (UK) Limited.